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Federal Policy and the Role of Public Enterprise in the Mining Sector

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FEDERAL POLICY AND THE ROLE OF PUBLIC ENTERPRISE IN THE MINING SECTOR

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PREFACE

This study represents work encouraged by the Centre for Resource Studies and aimed at improving knowledge of the Canadian mineral industry and the political and economic environment in which it operates. The authors look at recent developments in federal mineral policy, and the linkages between mineral policy, energy policy, economic and regional policies, and federal policies toward public ownership.

The Centre's Working Paper Series is offered for information and discussion, in an attempt to encourage feedback to the authors as well as additional research in mineral policy. Views expressed are those of the authors and do not necessarily represent the views of the Centre for Resource Studies or its sponsors.

Margot J. Wojciechowski
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FOREWORD

This paper was prepared for the Centre for Resource Studies (CRS) at Queen's University, by the Centre for Policy and Program Assessment, School of Public Administration, Carleton University. It is a companion piece for a larger study on The Origins of Public Enterprise in the Mineral Sector: Three Provincial Case Studies, to be published by CRS later this year. The paper explores recent federal policy in relation to the likelihood of further or altered federal involvement in the mineral sector through the aegeus of public enterprise.

We wish to thank Margot Wojciechowski for her comments and editorial assistance and Monica Wright and Jane Tallin for typing and editorial assistance.

Michael Prince and Bruce Doern
Ottawa, February 15, 1984

SUMMARY

Recent federal policy initiatives in a number of areas, such as energy policy, economic and regional development policies, and mineral policy per se do not provide conclusive evidence with respect to the likelihood of an increased federal public enterprise role in mineral development. Among the constraints to such an expanded role are constitutional, ideological, and financial restrictions. Among the incentives on the other hand are the government's interest in controlling foreign ownership of resources, developing resources on Canada lands, and other public policy goals. As in some instances in the past, public ownership can also expand by default rather than by design.

RESUME

Les récentes initiatives fédérales dans un certain nombre de domaines tels que les politiques énergétique, économique, de développement régional ainsi que la politique minérale en soi ne démontrent pas de façon concluante que le gouvernement fédéral jouera un plus grand rôle en tant qu'entreprise publique dans le développement minéral. Parmi les contraintes entravant ce rôle accru figurent des restrictions d'ordre constitutionnel, idéologique et financier. Par ailleurs l'intérêt du gouvernement à contrôler les droits de propriété étrangers, à mettre en valeur les ressources dans les terres canadiennes ainsi que d'autres objectifs de sa politique publique sont plutôt des stimulants. Comme cela s'est produit par le passé dans certains cas, la propriété publique peut aussi s'agrandir par défaut plutôt qu'à dessein.

1. INTRODUCTION

The purpose of this paper is to review recent federal policy so as to gauge the probability of an expanded or altered role for public enterprise in mineral policy and in the mineral sector.[1] By public enterprise we mean the use of new or existing Crown corporations and/or the use of joint investments.

The main part of the paper deals with the recent development of federal mineral policy per se. It in turn, however, must first be linked to three broader areas of recent federal policy and activity, namely: general priorities of the Liberal government since 1980, the National Energy Program (NEP),[2] and economic development policy.[3] Our review of these priorities and policies is exceedingly brief, since our purpose is only to look at them in relation to the public enterprise issue. All of these policy events and documents must be understood in order to make sense of the mineral policy statement, and of why public ownership may or may not emerge as an important part of public policy in the latter half of the 1980s. They show the links and discontinuities between energy policy, national and regional economic development, mineral policy, and public enterprise as revealed by the evolution and content of federal policy in the early 1980s and in the preceding decade. Embedded in the three policy fields are a series of concerns about the federal policy process and about the limits of government intervention. First, we review the general Liberal priorities which provided the overall policy context.

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1. This brief policy profile therefore complements and builds on earlier accounts of mineral policy. See Margot Wojciechowski, Federal Mineral Policies, 1945-1975 (Kingston: Centre for Resource Studies, May 1979), and Canada, Mineral Policy: A Discussion Paper (Ottawa: EMR, 1982).
2. Canada, The National Energy Program (Ottawa: EMR, 1980).
3. Government of Canada, Statement on Economic Development for Canada in the 1980s (Ottawa: November 1981).

2. GENERAL LIBERAL PRIORITIES IN THE EARLY 1980s

The Trudeau Liberals emerged reinvigorated from their 1980 election victory and launched a series of extremely aggressive initiatives designed above all to re-establish the identification of Canadians with national institutions, by facilitating more direct contact of the individual with Ottawa rather than through provincial governments. In short, the newly re-elected government's main strategy was to increase federal visibility.[4] The central elements of the Liberal approach were the Constitution with its Charter of Rights, and the NEP. On both issues the Liberals could work a generally supportive public opinion to their political advantage.

Three other initiatives which the Liberals launched in 1981, but which, by their own choice, played second fiddle to the Constitution and the NEP, were the new approaches to economic development (then simply referred to as an industrial strategy), the related question of the Western Development Fund and a strategy to improve relations with western Canada, and the renegotiation of social program funding and equalization payments with the provinces.

The overall Liberal strategy was founded on a fundamental belief among senior Liberals that their policies had to be designed, wherever feasible, to reassert federal presence and visibility. Such a presence and identity was to be fostered by actions and decisions in which the federal government dealt directly with individual persons, businesses, and other social institutions rather than channelling its support through the provincial governments. With the Quebec referendum 'settled', the Liberals turned their attention westward to try to forge some kind of a new political coalition that would strengthen their representation, legitimacy and power in the Canadian west. This search was premised on a strategic political view that they would have to latch on to the western resource boom, influence its direction, and be seen to be influencing it in significant ways.

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4. This strategy is examined in detail in G. Bruce Doern (ed.), How Ottawa Spends Your Tax Dollars: Federal Priorities 1981 (Toronto: James Lorimer and Company, 1981), chapter 1; and G. Bruce Doern (ed.), How Ottawa Spends Your Tax Dollars: National Policy and Economic Development (Toronto: James Lorimer and Company, 1982), chapter 1.

It is essential to stress that the energy, economic development, and mineral policies examined in this section can only be understood in the context of this view of priorities. No single policy field can be properly analyzed without reference to its place on the political agenda of a given period of time. In the specific context of this study, the Liberal focus on visibility and on asserting rational power was an important factor in expanding Petro-Canada as part of the NEP, which in turn raised questions about whether other industrial and resource sectors would be looked at in a similar way, especially to create a visible national presence in key sectors.

3. THE NATIONAL ENERGY PROGRAM: CANADIANIZATION GOALS

The official objectives of the NEP are to promote security of oil supply, opportunity for Canadians to participate in their oil and gas industry, and fairness in the distribution of energy benefits and burdens.[5] The first point to stress about the NEP is that it is patently about far more than just energy policy. It also embraces national identity, regional policy, economic policy, and the like. Though it has had enormous consequences on economic development, the NEP was not devised as a part of a larger economic development concept per se.

The key element in the genesis of the NEP was the struggle over the share of resource revenues. In this context the Ottawa-Alberta battle was central. All other factors - security of supply, fairness, and Canadianization - were of secondary importance. This is not to suggest that the revenue issue was only a partisan self-interested struggle for power between Ottawa and Alberta. Revenue was a genuine issue and a surrogate for many of the normative concerns that are inherent not only in energy policy but in Canadian politics in general: different views of federalism, the role of western Canada, the control of resources, regional disparities, growing budgetary deficits, and Canadian ownership of the economy.

The NEP was not devised in an explicit economic development context - that is, with a coherent larger view of Canada's economic future. Under the NEP, Ottawa argued strongly that Canadians must play a greater role in the energy sector. 'Of the top twenty-five petroleum companies in Canada, seventeen are more than 50 percent foreign owned and foreign controlled, and these seventeen account for 72 percent of Canadian oil and gas sales. This is a degree of foreign participation that would not be accepted - indeed, that is simply not tolerated - by most other oil-producing nations.'[6] Furthermore, the NEP documented stated:

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5. Canada, The National Energy Program, p. iii. See also Canada, The National Energy Program. Update 1982 (Ottawa: Supply and Services Canada, 1982), p. iii. For an overall analysis of the NEP, see G. Bruce Doern and Glen Toner, The NEP and Energy Politics (Toronto: Methuen, 1984).
6. Canada, The National Energy Program, p. 19.

> The industry owes much of its prosperity to cash flow and incentives provided by Canadian consumers and taxpayers, few of whom are in a position to share in the benefits of industry growth. For most Canadians, the only way to ensure that they do share in the wealth generated by oil, and to have a say in companies exploiting that resource, is to have more companies that are owned by all Canadians - more companies like Petro-Canada.[7]

The NEP contains several measures designed to increase Canadian participation. With respect to the oil and gas industry, the federal government identified three goals:

- at least 50 percent Canadian ownership of oil and gas production by 1990;
- Canadian control of a significant number of the larger oil and gas firms;
- an early increase in the share of the oil and gas sector owned by the Government of Canada.[8]

These Canadianization goals include both public and private ownership and control targets. The target of 50 percent ownership of the industry by 1990 implies rapid development of existing Canadian firms and in some cases an increase in Canadian shareholding in foreign-controlled firms. The target of Canadian control implies 'a more balanced mix than at present between publicly-owned firms, privately-owned and Canadian-controlled firms, and foreign-controlled firms. Thus, the goal of the government is to increase the proportion of the oil industry owned by Canadians, through their national government, by acquiring several of the large foreign-owned firms'. The NEP also made some comments about Canadian ownership and control in the non-petroleum energy sector. The NEP document says:

> Canadians would not be wise to let the pattern of ownership that occurred in the oil and gas industry repeat itself in the uranium and coal industries. In the uranium industry, the government will continue to insist on a Canadian owner-

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7. Ibid. p. 20.
8. Ibid., p. 49.

ship level of at least 67 percent. The government is anxious to ensure that the coal industry does not become dominated by foreign-controlled firms. It has already indicated that any coal liquefaction plants will have to meet a Canadian ownership test.[9]

Finally, in this energy policy statement, the federal government said it did not want to encourage monopoly in the public sector, the government 'may establish one or more new Crown corporations to hold the assets acquired, rather than adding them all to Petro-Canada'. The Canadian ownership and control targets are voluntary. 'The Government of Canada is a willing buyer, at fair and reasonable prices'.[10]

Thus it is clear that the NEP and actions taken in its wake contained a major impetus for public enterprise in the energy sectors. But as we see below, this was not necessarily an across-the-board interventionist stance, particularly because the oil and gas industry presented somewhat unique circumstances, both politically and economically. The selectiveness or ambivalence of the pro-public-enterprise stance is made more evident when one reviews federal policy on economic development.

9. Ibid. p. 49.
10. Ibid., p. 52.

4. FEDERAL ECONOMIC DEVELOPMENT POLICY

Recent federal policy and its ambivalence about public enterprise can be seen in two expressions of such policy in the early 1980s: the Olson eight-point agenda, and the November 1981 statement on economic development.

The Olson Eight-Point Agenda

After their February 1980 election victory the Liberal government, in the Throne Speech of April 1980, spoke of developing the economic potential of Canada as a main policy priority.

> Canada's resource base will be used as the basic building block of a vigorous industrial policy. A paramount objective of my ministers is to develop economic policies that will provide jobs, spur growth, improve regional balance, and promote Canadian ownership and control of the economy.[11]

While the Speech from the Throne spoke of food and agriculture, transportation, fisheries, science and technology, labour, and trade, it is interesting to note that the mineral sector and its role in the Canadian economy was not mentioned. The government also expressed a belief 'that the stake of Canadians in their own economic destiny must be strengthened' and indicated its intention 'to encourage the creation and expansion of independent Canadian-owned enterprises' and to 'assist Canadian companies wishing to repatriate assets or to bid for ownership or control of companies subject to takeovers by non-Canadians.' The determination of these economic development policies lay with the Cabinet Committee on Economic Development.

The Cabinet Committee on Economic Development was advised by the new team of central agency advisers in the Ministry of State for Economic Development (MSED).[12] The

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11. Speech from the Throne, Commons Debates (April 14, 1980), p. 6, 32nd Parliament, 1st Session.
12. On the broader role of MSED and other aspects of Ottawa's policy envelope committees, see Sandford F. Borins, 'Ottawa's Expenditure Envelopes: Workable Rationality at Last?' in G. Bruce Doern (ed.), How Ottawa Spends Your Tax Dollars: National Policy and Economic Development, pp. 63-86.

Committee took charge of the economic development 'envelope' of funds in the new federal system of expenditure management. Not surprisingly, the instinct of practical politicians is to think of the industrial and economic decisions they make in terms of benefits and support for particular industries in their regions and constituencies. It is not easy or even comfortable for them to think in terms of longer-term economic development needs, nor is it easy for politicians, or anyone else, to understand the economic development process.

Officials in MSED, however, began to try to persuade ministers on the committee to think (and hopefully act) differently on the subject. This effort, plus the obvious evidence of economic malaise in the late 1970s, resulted in the announcement in October 1980 by Senator Bud Olson, then the Minister of State for Economic Development, of an eight-point agenda for economic development. The agenda was expressed in terms of the factors or elements that contribute to economic development rather than in terms of particular industries.

The Olson agenda stressed eight factors:

- human resource development;
- capital investment;
- energy development;
- natural resources;
- technology;
- infrastructure;
- institutions;
- foreign and domestic market development.

The general thrust was to guide more decisions in the direction of support for capital development and to de-emphasize current consumption and 'uneconomic' subsidies. As an approach, the eight-point agenda was not particularly interventionist.

Senator Olson said the biggest constraint on Canada's economic growth in the 1980s will be a shortage of the major factors of production: labour, capital, and energy resources. 'A lot of the necessary investment may have to come from outside Canada. And here we have to make sure it is used to Canada's greatest benefit. Canadian control over key aspects of our economic development is our goal.'

On the other hand, to attract the much-needed capital, Olson acknowledged that 'it will be vital to create a favourable investment climate.' Olson identified natural resources as a main economic asset to Canada and noted that Canada's share of world markets for nonrenewable resources has fallen and that the federal government was working on a strategy to ensure that new mines bring maximum economic benefit to Canadians.[13]

These statements illustrate the degree to which a form of 'resources first' view was emerging. It must be stressed, however, that the resources emphasis, later made somewhat more explicit in the 1981 statement, was the product of an internal analysis which showed that, in the 1970s, the international terms of trade increasingly favoured resource-endowed countries. Thus the Olson-MSED view was based on the forecast that such favourable terms would continue in the 1980s and that such a market-based engine of real increases in wealth from resources should be utilized.

The Economic Development Statement

The federal Liberal government's Statement on Economic Development for Canada in the 1980s was tabled with the ill-fated MacEachen Budget on 12 November 1981. While, like the Olson views, it is only a statement rather than a series of concrete actions, it deserves attention in relation to the task of gauging the prospects of public enterprise. The publication of the Statement on Economic Development was followed by a reorganization of federal economic ministries.[14] This included a merger of parts of the Department of Industry, Trade and Commerce and the Department of Regional Economic Expansion and an attempt to strengthen the economic and trade role of the Department of External Affairs.

The statement stressed the importance of megaprojects: that is, several major resource-energy projects compiled by a special task force on major projects (defined arbitrarily as projects whose cost exceeded $100 million). The projects per se do not automatically suggest any public enterprise role. It must be noted, however, that such capital intensive and often risky projects do have a history of involving state participation to absorb the risks. This involvement

13. See the Globe and Mail, 21 October 1980, p. 82.
14. Office of the Prime Minister, 'Reorganization for Economic Development', Ottawa, 12 January 1982.

could be in the form of public enterprise and/or joint investments. Moreover, some of the projects envisioned were being proposed by federal or provincial Crown corporations. Thus the megaproject concept did suggest a possible expanded public enterprise role.

In addition to the megaprojects, the Statement focused on three other propositions.

i The leading opportunity for the Canadian economy 'lies in the development of Canada's rich bounty of natural resources.' Natural resources include not only energy, but also mining, forestry, agri-food, and fisheries, four sectors singled out specifically. Linked to this resource-driven approach, but taking second place to it, is manufacturing activity 'to supply machinery, equipment and materials needed for resource development and to extend the future processing of resource products beyond the primary stage.' The resource approach will also be tied to strategic international trade opportunities in selected industries. The manufacturing sector is by no means ignored in the statement. Support for high technology industry is indicated but the impression is clear that resources will be the engine of growth.

ii Economic development based on resources carries with it the prospect that such development for the first time can benefit all of Canada's regions concurrently. The statement notes that 'seldom in this century has it been possible to identify genuine prospects for growth in every region.'

iii The process and pace of resource development and the industrial restructuring that will accompany it must be 'managed.' This is because 'only a reasoned pace will permit us to marshal the enormous financial resources needed to fund this development. Only a reasoned pace will permit local indigenous manufacturing and service industries to flourish and thus build an enduring and diversified economic base.'[15]

The statement, however, also offered explicit assurances that the special NEP measures 'being employed to achieve Canadian ownership and control of the oil and gas industry are not, in the Government of Canada's view, appropriate for other sectors.' The paper also says that

15. Economic Development Statement, p. 2.

the changes to the mandate of the Foreign Investment Review Agency (FIRA), promised in the previous Liberal Throne Speech, will not be carried out 'for the time being.' The changes contemplated had included proposals for a broader 'performance review' role that might even be applied to all takeovers, foreign and domestic.

Such assurances to the business community, and to placate growing American criticism of FIRA and the NEP, were thought by some members of the Liberal Cabinet and senior bureaucracy to be essential to produce a proper climate for economic development. For other ministers and officials, the need to give assurances was more akin to a tactical retreat; for them, the early part of the statement contains the heart and soul of Canadian economic development in the 1980s.

Thus there were conflicting signals involved as to the level and form of intervention revealed by formal policy statements on economic development. These signals were muddied even more by the deep recession of 1982 and the turmoil in international oil prices, and in some mineral products as well.

5. FEDERAL MINERAL POLICY DEVELOPMENT

As our brief review of the larger policy context shows, no major public policy is the product of a simple linear progression of events and ideas. There are many rivulets of thought and there is no guarantee that they will converge into a recognizable stream of thought, let alone action. The same applies to mineral policy itself. With the aid of table 1, we discuss seven policy phases which are part of the longer-term genesis of federal mineral policy:

i the early 1970s mineral policy review and debate on a national mineral policy;
ii the Energy, Mines and Resources (EMR) mineral policy series;
iii the 23 Sector Task Force initiative, including the Powis task force on the Canadian nonferrous metals industry;
iv the federal-provincial resource taxation review;
v the National Mineral Forecasts and Mineral Strategy Papers;
vi the 1980 Discussion Paper on Coal;
vii the 1982 mineral policy discussion paper.

In addition, we briefly consider some instances in which existing federal public enterprises could or are becoming directly or indirectly involved in the mineral sector.

The Early 1970s Mineral Policy Review

The late 1960s and early 1970s were a period in which the Mineral Development Sector (Mineral Resources Branch) of EMR was changing. The Branch was becoming more oriented to policy research and planning as well as interdisciplinary work. The Branch initiated a comprehensive review of existing governmental policies affecting minerals and how they related to other economic and social policies. This early phase in mineral policy analysis sought to identify the objectives of mineral policy, describe the elements which comprise a national policy for the mineral sector of the economy, and identify the needs for interdepartmental and intergovernmental cooperation. Generally, the aim was to formulate policy options that would utilize minerals in a manner contributing to the economic and social well-being of Canadians while maintaining a 'progressive' industry. More specifically, the review was concerned with ensuring a mineral supply for national needs, improving mineral conserva-

Table 1

THE POLICY AND ORGANIZATION ROAD TO THE 1982 MINERAL POLICY DISCUSSION PAPER

Year	Event or Activity
1966	Reorganization of the Department of Mines and Technical Surveys to Energy, Mines and Resources (EMR).
Early 1970s	Mineral policy review by EMR and federal-provincial dialogue on mineral policy.
1973	'Mineral Policy Ojectives for Canada' published. Creation of the Canadian Ministerial Conference on Mineral Policy.
1974	'Towards a Mineral Policy for Canada' published.
1975-77	Mineral Policy Study series by EMR.
1977	'A National Strategy for the Canadian Mineral Industry' published. 23 sector task forces established.
1978	'The Canadian Non-Ferrous Metals Industry' published. Federal-provincial resource taxation review conducted.
1979	Creation of the Federal-Provincial Working Group on the Mineral Industry. National mineral forecasts for MSED. Mineral Strategy Papers. Publication of the response of the federal Government to the Recommendations of the Consultative Sector Task Forces.
1980	Creation of the office of the Minister of State (Mines). The Olson Eight-Point Agenda. The National Energy Policy introduced. Discussion Paper on Coal published.
1981	Statement on Economic Development.
1982	Mineral Policy Discussion Paper.

tion, improving returns from exportable mineral surpluses, and developing practices for efficient multiple resource use. The Branch also considered such issues as taxation, foreign ownership, environmental quality, social development, regional development, foreign aid, and their relation to mineral-based activities.[16]

Federal-Provincial Dialogue on Mineral Policy

The efforts by EMR in the early 1970s to develop a comprehensive mineral policy for Canada inevitably led to a federal-provincial dialogue, which resulted in the publication of two major documents: Mineral Policy Objectives for Canada in 1973, and Towards a Mineral Policy for Canada in 1974.

The federal and provincial governments agreed on a policy review process consisting of five phases:

i definition of the mineral policy goal and objectives;
ii delineation of the emphasis to be placed on objectives;
iii definition of appropriate strategies and tactics to achieve the priority objectives;
iv implementation of the policy strategies and tactics;
v evaluation of results, with policy adjustment if necessary.

In April 1973 the federal and provincial governments issued the document Mineral Policy Objectives for Canada. The document defined the main goal of mineral policy as being that of obtaining the optimum benefits for Canada from the present and future use of minerals. Twelve policy objectives in support of this goal were identified and divided into three broad categories: quality of life; economic growth and development; and sovereignty and unity. The mineral policy objectives and categories are as follows.

1. Quality of life:
   - relate mineral development to social needs;
   - minimize adverse effects of mineral development on the environment.

16. See EMR Annual Report, 1968-69 and 1969-70; W. Keith Buck and R.B. Elver, An Approach to Mineral Policy Formulation, MR 109, 1970; and EMR, Annual Report 1970-71, pp. 17-19. See also W. Keith Buck, Mineral Development Policy, MR 64, 1963.

2. Economic growth and development:
   - foster a viable mineral sector;
   - ensure mineral supply for national needs;
   - improve mineral conservation and use;
   - realize opportunities for further mineral processing;
   - harmonize multiple resource development;
   - strengthen knowledge base for national decision-making;
   - increase the return to Canadians from exportable mineral surpluses.

3. Sovereignty and unity:
   - ensure national self-determination in mineral development;
   - contribute to orderly world mineral development and marketing;
   - strengthen the contribution of minerals to regional/national development.

In November 1973, the Canadian Ministerial Conference on Mineral Policy (CMCMP) was established to provide a formal mechanism for consultation and cooperation among the federal and provincial ministers responsible for mineral policy. Such a formal mechanism was said to be essential for the formulation of national mineral policies. In fact, the CMCMP formalized previous arrangements for consultation on various mineral policy issues. In its 1973-74 Annual Report, EMR said: 'The conference is not viewed as a joint decision-making body, but an important new avenue of intergovernmental communication.'[17]

At the first meeting of the CMCMP in December 1974, federal and provincial mining ministers reviewed and authorized publication of Towards a Mineral Policy for Canada as a basis for public consideration of mineral policy and as a delineation of the emphasis to be placed on policy objectives. This document considered alternative options for

17. EMR, Annual Report 1973-74, p. 15. The Conference of the Provincial Ministers of Mines has been meeting since 1945. Referring to the 1973 and 1974 Mineral Policy statements, Professor Donald V. Smiley has written: 'There is no better example of the excesses of rationalist sentimentality.' See his 'The Political Context of Resource Development in Canada,' in Anthony Scott (ed.), Natural Resource Revenues: A Test of Federalism (Vancouver: University of British Columbia Press, 1976), p. 71.

mineral policy and proposed that mineral policy be made flexible through selective emphasis of the objectives. The four options identified for mineral policy were:

i to continue maximum mineral production;
ii encourage economic diversification and growth;
iii obtain the highest possible net financial returns;
iv conserve mineral resources for long-term domestic requirements.

It was proposed that Canadian mineral policy should first seek to increase economic diversification and growth, and to assure an adequate supply of minerals to meet Canadian needs.

With respect to the issue of public enterprise, the document did note that the mineral system in Canada is comprised of public and private enterprises which are engaged in one or more of exploration, extraction, processing, and consumption activities. Moreover, it stated that consideration must focus on the need to favour greater Canadian participation in a viable mineral sector, and to seek assurance that Canadians are obtaining the best return from mineral exports. Finally, the document observed that governments could obtain increased net revenues from minerals through public equity participation, among other means. The mining ministers recognized the need for active consultation with industry in developing mineral policy and, at the same time, they believed that governments' role in mineral resource management would increase with more involvement in mineral affairs.

The Mineral Policy Series of EMR

As part of this comprehensive mineral policy review process, the Mineral Development Sector of EMR (which is responsible for developing federal policies for mineral resources, with the exception of mineral fuels) began a series of studies 'on major mineral commodities and other key factors related to mineral development in Canada.'[18] This series was viewed as the third phase of the review process: i.e., defining appropriate strategies and tactics to attain the priority mineral policy objectives previously set by the federal and provincial mines ministers. Draft copies of these studies were distributed to interested provinces for

18. EMR, Annual Report 1974-75, p. 12.

review and discussion during 1975 and 1976. The ultimate aim of the series was 'reaching agreement with the provinces on a strategy for the future development of the Canadian mineral system, so that actions taken by various jurisdictions can become complementary rather than contradictory, as has sometimes occurred in the past.'[19]

The Mineral Policy Series exercise resulted in the publication of nineteen separate studies over the period 1975-77.[20] These studies were intended as supporting documents for the preparation of a major policy paper on the national strategy for the Canadian mineral industry.[21] Some of the studies dealt with specific mineral commodities crucial to Canada, such as zinc, iron ore, copper, phosphate, sulphur, potash, nitrogen, and asbestos. Other studies in the series dealt with broader issues, such as transfer pricing, multinational enterprises and economic development, mineral area planning, mining communities, and employment in the Canadian mineral industry. According to one observer, many of these policy studies 'did not "bite the bullet" hard enough, ending up merely as good sector studies, but weak on policy recommendations.'[22] As a follow-up to the Mineral Policy series background documents, a federal discussion paper, A National Strategy for the Canadian Mineral Industry, was published in 1977.

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19. EMR, Annual Report 1975-76, p. 25.
20. The publications in The Mineral Policy Series are as follows: Mining and Manpower: The Next Quarter Century (MR 147); Iron Ore (MR 148); Copper (MR 149); Sulfphur (MR 150); Gypsum (MR 151); Women In Mining: The Progress and The Problems (MR 152); Transfer Pricing, the Multinational Enterprise and Economic Development (MR 153); Mining Communities (MR 154); Asbestos (MR 155); Potash (MR 156); Nickel (MR 157); Mineral Industry Trends and Economic Opportunities (MR 158); Zinc (MR 159); Phosphate (MR 160); Minerals, Science and Technology (MR 161); Canadian Minerals and International Economic Interdependence (MR 162); Minerals and the Environment: Current Problems and Policies (MR 163); Present and Projected Energy Consumption in the Mineral Industry of Canada (MR 164); and A Quick-Look Method for Monitoring the Adequacy of Metal Supplies from Canadian Mining for Domestic Needs (MR 165).
21. EMR, Annual Report 1976-77, p. 18.
22. Andrew J. Freyman, 'Mineral Policy - The Last 20 Years,' CRS Perspectives, September 1982, no. 13.

The 23 Sector Task Forces

Alongside federal-provincial consultations, the Minister of EMR meets with representatives from the industry in another forum, the National Advisory Committee on the Mining Industry (NACOMI). Membership in NACOMI consists of leaders of major Canadian mining companies and prominent consultants, who are asked to contribute their specialized knowledge and advice.[23] However, despite the existence of this industry-federal government consultative body, it appears that during the early to mid-1970s there was relatively little formal consultation with industry. 'It is interesting to note, therefore, that an initiative from a different source, the federal ministry of Industry, Trade and Commerce, did much to bridge this industry-government gap.'[24]

The period of wage and price controls from 1975 to 1977 was a particularly important catalyst in pressuring the federal government to consult business and labour organizations and the provinces or, at the very least, to be seen consulting them. Even though it was thought to be necessary, the consultations with major business and labour interest groups were not particularly successful.[25]

However, a somewhat different effort in 1978 involved twenty-three industry sector groups composed of business and labour members and some academics, with federal and provincial government representatives as observers. These task forces produced specific suggestions for each sector, many in the form of requests for tax benefits, for deregulation or at least that future regulation be subject to a cost-benefit analysis, and for consultation with business. A 'tier-two' group also produced general recommendations

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23. EMR, Annual Report 1974-75, p. 12.
24. Freyman, 'Mineral Policy - The Last 20 Years', p. 2.
25. See Richard W. Phidd and G. Bruce Doern, The Politics and Management of Canadian Economic Policy (Toronto: Macmillan of Canada, 1978), chapter 14; Richard French, How Ottawa Decides (Toronto: James Lorimer and Company, 1980), chapters 5 and 6; Douglas Brown and Julia Eastman, The Limits of Consultation (Ottawa: Science Council of Canada, 1981); Consultation and Consensus: A New Era in Policy Formulation? (Ottawa: Conference Board in Canada, 1978); and A. Maslove and G. Swimmer, Wage Controls in Canada 1975-78 (Montreal: Institute for Research on Public Policy, 1980), chapter 2.

concerning such questions as labour skill shortages, research and development, and the need to encourage capital investment to avoid the further 'de-industrialization' of Canada.

Significantly, the issue of foreign ownership was a 'non-issue' in most of the task force exercises. 'Nationality of ownership was seldom discussed and there was no indication that it was considered a "problem", but this probably meant it was considered too sensitive an issue to discuss openly or to include in a report of task forces which included executives from both multinational and Canadian-owned firms.'[26]

The issue of government ownership was mentioned by the task force reports on the iron and steel, petrochemicals, and nonferrous metals industries, as well as by some other sector studies. The task force report on the Canadian primary iron and steel industry assumed that the industry would not become an instrument of public policy and that the private sector would continue to be the main source for investment in the industry. In particular, the task force recommended that 'Government investment or support of deficits in the steel industry should be based on economic viability. Investment programs by governments should be complementary to, rather than competitive with, the profitable segments of the industry.'[27]

Similarly, the task force on the Canadian petrochemical industry recommended that 'Further nationalization of direct government participation be limited or eliminated in areas where the private sector has clearly demonstrated its ability to effectively perform in the public interest.'[28] Most task force reports called for less government intervention in the affairs of business.

The Non-Ferrous Metals Industry Task Force was to provide a basis for formulating policies which would permit the optimal future development of an internationally competitive non-ferrous metals industry. The Task Force was chaired by Alfred Powis and in 1978 it produced a report,

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26. Brown and Eastman, The Limits of Consultation, p. 137.
27. A Report by the Sector Task Force on The Canadian Primary Iron and Steel Industry, chairman A.V. Orr (Ottawa, revised December 1978), p. 10.
28. A Report by the Sector Task Force on The Canadian Petrochemicals Industry, chairman W.N. Kissick, (Ottawa, June 1978), p. 12.

The Canadian Non-Ferrous Metals Industry, which made recommendations on:

- the investment climate;
- further resource processing;
- transportation and trade policy;
- environmental protection;
- research and development;
- government operations;
- manpower and labour.

On the issue of government operations, the Task Force assumed that public policy would be supportive of private industry and would focus on the importance of private enterprise in generating the wealth of the country. The Task Force also identified a 'need to reduce the overall size of the government sector in the economy to make room for a vigorous private sector.'[29]

The 23-sector task-force phase was characterized by a more serious attempt to coordinate the federal government's own initiatives in developing an industrial strategy. The attempt was first reflected in the formation of 'DM 10', a group of economic deputy ministers created in the midst of the wage and price controls program and which led, in part, to the creation of the Board of Economic Development Ministers in 1978. (This later became the Cabinet Committee on Economic Development and was renamed the Cabinet Committee on Economic and Regional Development in 1982.)

During 1978 and 1979, the federal government formally responded to the recommendations of all the consultative task forces. On the proposal that government investment in the steel industry be based on economic viability, the government's response was partial agreement. The government noted that regional economic development policy criteria include economic viability and consideration of the entire industry sector in Canada as well as social considerations.[30] On the proposal that direct government partici-

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29. A Report by the Sector Task Force on The Canadian Non-Ferrous Metals Industry, Chairman Alfred Powis (Ottawa, June 1978), p. 4.
30. Response of the Federal Government to the Recommendations of the Consultative Task Force on the Canadian Primary Iron and Steel Industry, (Ottawa, May 1979), p. 16.

pation in industry be limited or eliminated in areas where the private sector is performing in the public interest, the government's response was to agree in part. The government response stated:

> As indicated by the Minister of Industry, Trade and Commerce in his speech to the Canadian Manufacturers' Association of October 3, 1978 the federal government believes the growth and expansion of the Canadian economy should be fuelled by private Canadian funds to the greatest degree possible. However, the federal government considers that there is a continuing rationale for its participation in economic development in circumstances where project size, degree of risk or overriding national interest requires a public presence and it continues to believe that it must have freedom to exercise this prerogative.[31]

Federal-Provincial Relations and Mining Taxation

Up to the early 1970s, the overlapping federal and provincial powers and interests in mineral resources development did not produce many serious intergovernmental conflicts because of a common philosophy of resource exploitation which was reflected, in large part, in the taxation structure. However, the convergence of several events in the 1970s contributed to considerable federal-provincial conflict in the administration of mineral resources. These events included the growing acceptance of getting a 'fair return' from natural resources, the election of several provincial governments interested in greater resource control, a reaction against traditional mining industry tax concessions, continuing pressures for provincial services, and the federal disallowance of provincial mining levies for federal revenue tax.[32] As Freyman has pointed out, 'The federal-

31. Response of the Federal Government to the Recommendations of the Consultative Task Force on the Canadian Petrochemicals Industry (Ottawa, May 1979), p. 21.
32. See R.M. Burns, Conflict and its Resolution in the Administration of Mineral Resources in Canada (Kingston: Centre for Resource Studies, 1976), chapter 4.

provincial plan of five phases of dialogue on mineral policy appears to have been submerged in the continuing disputes on jurisdiction over taxation.' An EMR report adds: 'By 1978 it had become clear that the first priority was to resolve the disruptive problem of taxation of the mineral sector and federal-provincial sharing of revenues.'[33]

In fact, in 1978, federal and provincial finance and resource ministers concluded an in-depth review of the tax situation in mining. This study was led by the federal Department of Finance and was published in 1979. In his Budget Speech of 16 November 1978, the Minister of Finance, Jean Chretien, stated that while the federal tax system had been found to be basically sound he wanted to introduce some changes to spur the development of new mining ventures. The recommendations of the 23 sector task force and the report of the Second Tier committee had been carefully reviewed by the Finance Department. Mr. Chretien proposed that the write-off for development expenditures in mining be raised from 30 to 100 percent; that for new mines the costs of associated townsites and social assets earn depletion; and that the fast write-off for pollution control equipment be extended indefinitely. The Finance Minister also assured the mining industry of the federal government's intention to maintain the spirit of federal-provincial cooperation established during the review and not to offset the benefits from tax reductions that provinces may introduce.[34]

In early 1979 the Federal-Provincial Working Group on the Mineral Industry was created to improve the flow of information between the two levels of government, to discuss the issues affecting the mineral industry (such as mining equipment manufacturing, taxation, trade relations, and further processing), and to achieve a more workable approach to mining coordination in Canada.[35]

National Mineral Forecasts and Mineral Strategy Papers

In May 1979, at the request of MSED, the Mineral Policy Sector of EMR produced a quantitative economic forecast of the likely performance of the Canadian mineral industry to 1985.

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33. Freyman, 'Mineral Policy - The Last 20 Years', p. 2; and EMR, Annual Report 1979-80, p. 36.
34. Budget Speech, November 16, 1978, p. 15.
35. EMR, Annual Report 1979-80, pp. 34-5. See also Burns, Conflict and Its Resolution, chapter 6.

This forecast, its underlying assumptions, and a detailed explanation on a commodity-by-commodity basis of possible projects coming on stream and the constraints thereto, were assembled in one document for MSED in July 1979. The document was released concurrently as an Internal Report (9MR1 79/1) for use by other federal departments, by the provinces and by industry specialists.[36]

For policy planning purposes, a comprehensive forecast of the Canadian mineral industry production, investment, employment, imports, and exports to 1990 was carried out in early 1980 and was published in August 1980. The forecast was reviewed and updated in early 1981, and it is intended to be revised annually. Much of the analysis from the forecast showed up in the MSED's November 1981 Medium-term Track Document.[37]

In 1979 EMR's Mineral Policy Sector began 'developing comprehensive papers that will review each of the commodities produced in Canada or used by the Canadian economy. They are attempting to identify possible strategies for dealing with the problems associated with each commodity, uniquely or in common with other commodities.' These mineral strategy papers will also assist in setting government priorities in mineral and economic development, as well as 'form the basis for discussions throughout the Canadian minerals community - federal and provincial government departments, industry and labour.'[38] Papers are being prepared on iron ore, lead, zinc, potash and asbestos. It is essential to stress that neither the national mineral forecasts nor the mineral strategy papers give any attention to the question of public corporations in the mining industry.

The creation of the office of Minister of State for Mines, following the election of the new Liberal government in 1980, reflected EMR's renewed emphasis on the department's mission in mineral policy development and the earth sciences.[39]

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36. EMR, Annual Report 1979-80, p. 35.
37. See EMR, Annual Report 1980-81, p. 46.
38. EMR, Annual Report 1980-81, p. 47.
39. EMR, Annual Report 1979-80, p. 1.

Discussion Paper on Coal

As one of a series of documents intended to support a public discussion of Canadian energy alternatives, EMR prepared and published a Discussion Paper on Coal in 1980. The paper outlines the Canadian coal system and the links in the coal chain, and considers the technological, regional, environmental and international considerations of various coal options.[40]

The most interesting part of the Discussion Paper for the purposes of this study is the section which discusses the ownership characteristics of the Canadian coal industry. The paper states:

> Ownership of Canada's coal resources and control of production is a continually evolving element of the Canadian coal industry. The coal resources are controlled by a mixture of private and public companies, private and public utilities, Crown corporations, and provincial and federal governments. This proprietorship has been characterized by change in response to provincial and federal needs and to market conditions.[41]

The Discussion Paper points out that direct and indirect federal and provincial government intervention in the coal industry has increased in recent years through public corporations, royalty payments, coal policy statements, environmental controls, and infrastructure requirements.

The Discussion Paper goes on to discuss how the pattern of ownership and control in the Canadian coal industry has evolved over the past decade. The paper, which deserves to be quoted at some length, shows how the coal industry in Canada is divided geographically into two sectors: western Canada and the Atlantic provinces.

> During its early history most of the productive capacity of the industry was developed through regional investments and government incentives, especially to overcome transportation costs. The renewed demand for coal and increased interest in Canadian development in the past decade, particularly in the western sector of the industry, has been characterized by an increasingly diver-

40. EMR, Discussion Paper on Coal, 1980, Report EP80-1E.
41. Ibid., p. 11.

sidied ownership and control pattern. The western sector is controlled largely by privately-held and publicly-owned companies, whereas the eastern sector is controlled mainly by federal and provincial government Crown corporations. In Alberta and Saskatchewan, most thermal coal output is either directly or indirectly controlled by electrical utility companies; this dominance of the thermal coal trade is increasing and is projected to continue to increase well into the 21st century. For Canada as a whole, recent estimates indicate that approximately 10 percent of coal reserves of currently operating companies are controlled by the utilities and nearly 15 percent by Crown corporations.[42]

The Discussion Paper then observes the structural changes taking place in the coal industry.

> The changes in provincial government legislation and regulations controlling the development of coal mines especially in the western sector, together with accelerating costs and the need for increasing amounts of risk capital, have induced and will continue to induce rapid structural change in the industry to meet these changing conditions. The trend is away from the small privately-owned and operated mines to large, joint-venture consortiums, the partners of which may be the coal leaseholders, the producers and even the consumers of the coal produced. These development consortiums may represent major foreign as well as Canadian interests and may also include some form of regional development of northeast British Columbia. Some foreign concerns are acquiring equity positions in future mine developments as the first step towards securing long-term coal supply contracts.
>
> This great potential for coal development in Canada has drawn many new entrants into the industry, and has attracted not only traditional coal mining companies but also those with backgrounds in other areas of the mineral industry and with interest in energy commodities. Multinational oil companies are becoming increasingly

42. Ibid., p. 12.

> involved in coal mining activities in Canada and are now among the largest coal leaseholders. The resources of multi-national, as well as large Canadian mining companies, with their international marketing expertise, financial capacity and ability to spread risks over the long-term will be helpful in facilitating the adjustment of the Canadian industry in meeting new coal demands of the 1980s and 1990s. It is important therefore to ensure that the prominent role of any one sector of the economy or foreign investors in the industry does not lead to a restriction of coal development or a reduction of competition within the industry.[43]

With respect to the development options for the coal industry, the Discussion Paper says that two broad approaches are possible.

> Under the first, policies could be chosen which would ensure that the Canadian coal system can meet foreign and domestic demands as they arise by addressing and alleviating non-economic constraints on the production, transportation and end-use of coal. This approach might be thought of as letting coal follow the system. On the other hand there are circumstances in Canada where coal can be seen to drive the system. This is to say developing the coal industry is seen as a means of increasing its contribution to the Canadian economy on a regional basis. In this latter sense opportunities associated with Canada's coal resources are exploited in anticipation of foreign and domestic demand (subject to provincial and federal energy and general economic development objectives).[44]

Some of the issues identified by the coal paper, but not comprehensively discussed, are the role of the federal and provincial governments in allowing coal exports; construction of transportation infrastructure that would adequately support an expansion of Canadian coal production; and the question of foreign investment in, and access of foreign countries to, the liquids or gases produced from the coal.

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43. Ibid., pp. 12-13.
44. Ibid., p. 43.

Finally, regarding the issue of coal transportation, the paper concludes: 'New transportation systems may offer opportunities for novel ownership and organizational relationships, and this could be important for some segments of the Canadian coal industry.'[45] We examine this connection between coal transportation and organizational relationships in our study on The Origins of Public Enterprise in the Mineral Sector: Three Provincial Case Studies.[46]

Mineral Policy Discussion Paper

In the policy context of the Liberal government's priorities, the Mineral Policy Discussion Paper released in 1982 is related to both economic development policy and the NEP. The mineral discussion paper is one of a series of reports on the resource sectors of the Canadian economy (forestry, agriculture, fisheries, and mining) and therefore reflects the themes and priorities identified in the economic development statement. In particular, the mineral policy paper is concerned with the assessment of three aspects of the exploitation of primary commodities: the resource base; research and development; and international marketing of minerals. The paper also considers the issue of mineral-based diversification.

In relation to the NEP, the mineral document remarks:

> ...this paper could have placed equal emphasis on the objectives of security, fairness and opportunity. Instead, it is the goal of opportunity that is stressed, for reasons that will be explored below. Fairness is a relevant but subsidiary consideration because, relative to the oil and gas sector, for example, mining revenues are both smaller and more equitably distributed among the provinces and regions. Security of supply, although also a clearly important objective, is one that Canada has already largely achieved in the mining sector. Thus, it is opportunity that commands most of our attention in this paper.

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45. Ibid., p. 44.
46. M.J. Prince and G.B. Doern, The Origins of Public Enterprise in the Canadian Mineral Sector: Three Provincial Case Studies, (Kingston: Centre for Resource Studies, 1984).

'Opportunity' concerns the ability of the mineral industry to provide remunerative employment, and an adequate return on capital, without compromising the government's - and the public's - stated social goals with respect to protection of the environment, the health and safety of workers, the land claims of native people and so forth. A major conclusion of the paper with respect to the resource base, the level of technology and international markets is that there have been and will continue to be opportunities to develop mines and processing facilities that are able to bear all private and social costs while assuring an adequate return on investment. However, such opportunities will probably arise less frequently than in the resource boom of the 1950s and 1960s.[47]

The Mineral Policy Discussion Paper must also be seen in relation to the economic situation of the Canadian nonfuel mineral industry. The industry experienced a relatively slow rate of growth through the 1970s, and is experiencing an extended and severe down-cycle in prices and profits. The mineral policy paper was prepared and has been discussed at a time of exceptionally low demand for most minerals. According to the Minister of State for Mines, 'The federal government is fully cognizant of the present situation and of the need for a policy environment that will help the industry to capture opportunities when markets improve.'[48]

Thus, the main theme and goal of the mineral discussion paper is opportunity. This is to say, the maximization of returns to labour and capital without compromising on social goals. The declared philosophy of the paper is private sector initiative with complementary government action. 'The philosophy....implies that the federal government will follow a policy of no subsidization except in special circumstances (e.g., regional development, if unemployed resources exist).'[49]

The mineral policy paper also outlines the following areas as ones in which direct federal government initiatives may be appropriate:

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47. EMR, Mineral Policy: A Discussion Paper, p. 7.
48. Ibid., p. iii.
49. Ibid., pp. iii-iv.

> ...the removal of existing imperfections (structural impediments such as barriers to entry for junior mining); reduction of trade barriers in the international market; the collection, assessment and dissemination of geological, technical and economic information; provision of adequate research and development where the privrte sector does not meet this need; correction, where necessary, of divergences between private and social costs of mineral development; realization of spin-off benefits from mineral development such as mineral machinery and equipment; management of mineral resources on Canada Lands; provision of necessary infrastructure; enhancement of the quality of working life; and maintenance of an appropriate taxation and investment climate.[50]

In the federal government's assessment of the mineral industry in the 1980s, the issue of foreign ownership and public ownership received some attention but they were clearly not areas which received priority concern.

With respect to foreign ownership, the mineral policy paper states that 'the situation in the mineral industry is more acceptable than in the petroleum sector.' The paper gives four reasons for regarding foreign ownership in the minerals sector differently, and more favourably, from that in the petroleum sector:

i 64 percent of the assets in the mineral industry are under Canadian control (as of 1978) in contrast to 36 percent in the petroleum sector. 'Moreover, some of the dominant mining companies are Canadian controlled multinationals. In addition, a number of quasi-Canadian companies in the mineral industry have substantial foreign ownership but retain a fair amount of indigenous autonomy on investment, technology, and marketing decisions;

ii the impact of any supply interruptions is less serious, the opportunity for cartel action is more limited, and the ability to use mineral resources as a political weapon is less pronounced;

iii since Canada has her own mineral industry multinationals, Canadians have comparable opportunities with foreigners to make the important decisions;

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50. Ibid., p. iv.

iv the mineral sector is not as profitable as the petroleum sector so that the potential problem of dividend outflows and diversion of investment is not as great.[51]

Furthermore, the mineral policy document points out that the percentage of the assets of the mining sector that is foreign controlled has probably been reduced somewhat in recent years. As table 2 shows, there is substantial variation in control within the mineral industry in Canada. 'It is notable that those commodities where foreign control had been practically total are those where public ownership has been the principal method of altering the situation. The reason, apparently, is a lack of willingness by Canadian firms to take over foreign-controlled firms involved in those commodities.' Another reason, the document indicates, 'is the economic philosophy of the governments of Saskatchewan and Quebec and the high political visibility of some commodities such as asbestos.'[52]

Given these factors, the mineral policy paper makes the following conclusions:

> ...the maintenance of existing levels of Canadian control in the mineral industry is fully consistent with the government's commitments to a strong Canadian presence in all sectors of the economy. However, a policy of maintaining existing levels of Canadian control is not a task without challenge since there are dynamic forces at play that have the capacity to increase foreign control. These include:
>
> - increasing domination by major resource corporations of the exploration phase of the mineral cycle, with obvious implications for increased foreign ownership as any resultant mineral discoveries are developed;
> - decline of the Canadian owned and controlled junior mining sector. This sector has been largely oriented to exploration, but it is also the source of new entrants into the senior producer category; and

51. Ibid., p. 59.
52. Ibid., p. 61. We examine the interventionist philosophy of the Saskatchewan government in the resource sector in The Origins of Public Enterprise in the Mineral Sector: Three Provincial Case Studies.

- increasing interest of petroleum companies, largely foreign owned and controlled, in mineral exploration, development and production.

These developments indicate the need for monitoring future levels of foreign ownership in the mineral sector. However, because of the current high level of Canadian ownership, no new measures to strengthen the FIRA's operations or policies in the mineral sector appear necessary at this time.[53]

Table 2

FOREIGN CONTROL OF THE NONPETROLEUM MINERAL INDUSTRY IN CANADA
(percent)

	Sales	Assets	Equity	Profits
Nonferrous metals:				
Gold mines	9.3	4.5	2.9	3.9
Other metal mining[a]	35.9	28.6	30.1	28.0
Total	34.7	27.4	28.1	25.7
Ferrous metals:				
Iron ore mines	93.0	75.8	82.8	100.0
Iron and steel mills	14.4	13.1	15.1	20.5
Total	26.3	33.3	39.6	25.5
Total metallic sector	30.1	30.2	32.7	25.7
Nonmetallic sector:				
Nonmetal mining	77.5	63.3	81.0	89.6
Quarries	18.0	24.6	26.4	30.8
Total	66.1	58.6	76.2	84.1
Other:				
Coal mines	60.2	71.5	73.3	76.6
Total	36.4	36.1	53.1	38.1

Source: Statistics Canada, CALURA (Preliminary 1978).

[a] Includes both upstream and downstream operations of the integrated producers (Inco, Noranada, Cominco, Falconbridge, etc.). Also includes uranium.

53. Ibid., pp. 60, 61.

With regard to public ownership in the mineral sector, the mineral policy paper states that federal public ownership is 'not especially significant', perhaps because 'the federal government has not had a consistent strategy on public ownership in the mineral sector but has been motivated by ad hoc considerations.' On the other hand, provincial public ownership is important in some cases. Provincial governments have used public enterprise in the mining sector for more ambitious reasons, including control over the pattern and timing of development, exploitation of market power, achievement of social goals, and the capture of all available rents. 'The crucial factor is the extent to which these objectives can be met more effectively by public ownership rather than other means. A complete framework of social accounts would be needed to come to the bottom line on this question - a task that goes beyond the scope of this paper.'[54]

In determining whether the federal government should seek increased public ownership in the mineral industry, the discussion paper looks at the role of Petro-Canada in the energy sector.

> The functions of the national oil company include: (a) contributing to energy security by investing aggressively in exploration, especially on the frontier; (b) acting as an information window on the industry; and (c) pursuing state-to-state deals on oil supplies. The arguments of security and control are not pertinent for the mineral sector, as shown elsewhere in this paper. The information issue is important, but other methods can be used to achieve a satisfactory degree of disclosure. At the manufacturing stage, arguments for public ownership relate to (a) the small scale of Canadian firms, (b) weaknesses of management talent, and (c) short-term perspective concerning product and market development. Such arguments are not terribly compelling in an industry with Canadian controlled multinational corporations such as Noranda, Alcan and Cominco.[55]

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54. Ibid., p. 66.
55. Ibid., pp. 66-67. See also Larry Pratt. 'Petro-Canada: Tool for Energy Security or Instrument of Economic Development' in G. Bruce Doern (ed.), How Ottawa Spends Your Tax Dollars 1982.

Thus, the discussion paper concludes that a mineral sector Crown corporations equivalent to Petro-Canada would not be required in the mineral industry at this point in time.

Other options on federal public ownership in the mineral sector are noted by the policy paper and are as follows:

- reduce or eliminate public ownership, but increase government's ability to manage the sector by imposing disclosure requirements and strengthening other modes of intervention - regulation, tax/subsidy systems, etc;

- reduce or eliminate public ownership but strengthen government's ability to influence the industry by following the Japanese model or the systems for industry-government coordination found in European countries;

- eliminate the most obvious irritants in the industry, such as differences in tax treatment, and let competition determine the relative sizes of publicly and privately owned firms. In this case, few conditions aimed at social goals could be imposed on the publicly owned firms;

- maintain the status quo, and expand or contract the publicly owned sector whenever there are specific economic or social reasons for doing so.[56]

The discussion paper observes that any reduction or elimination of government enterprise at the federal level would have a trivial impact. Furthermore, it states that 'none of the foregoing alternatives are of dramatic importance as far as the issue of public ownership at the federal level is concerned, although they may be important in defining industry-government relations.' Thus, large-scale privatization of Cape Breton Development Corporation or Eldorado Nuclear Limited to increase the private ownership of the mineral industry is rejected. Moreover, an aggressive policy to increase the Canadian and public sector ownership and control of the mineral sector is not seen as necessary at this point in time. Therefore, the mineral policy paper concludes,

> 'It would appear that the current policy regarding public ownership of the mineral industry at the federal level should be maintained. Thus federal government ownership will be pursued

56. Ibid., p. 67.

only for specific public purposes where other forms of government intervention would be ineffective. No such direct government investment in the mineral industry appears justifiable at this time.'[57]

Activity by Existing Federal Public Enterprises

Although the Mineral Policy Discussion Paper downplays the probability of any new direct government investment in the mineral industry, one must juxtapose recent federal policy statements against other kinds of actions involving public enterprise, in this case not new public enterprises, but possible action by existing federal enterprises. There are three instances in which existing federal public enterprises could or are becoming directly or indirectly involved in the mineral sector in new or expanded ways. In each case, however, the signals are not clear. The three are Petro-Canada's expansion into coal; the possible fate of Eldorado Nuclear now that its shares will be managed by the new federal holding company, the Canada Development Investment Corporation (CDIC); and the involvement of the Canadian National Railway (CNR) in railway infrastructure expansion in the wake of the agreement over the historic Crows Nest freight rate subsidization issue.

Through its acquisitions of other energy companies, Petro-Canada obtained coal mines in Alberta. The company has pressed the federal government to allow it to expand its role in the coal sector. At the time of writing this pressure is being resisted, but it could easily become an avenue of federal public enterprise involvement in coal to complement the federal role in the Cape Breton Development Corporation. The Petro-Canada role in coal may well be defended as being necessary to develop a window on the industry, and to develop research and technology on coal liquefaction and other energy initiatives.

The Eldorado Nuclear issue is more complex, in that the Canada Development Investment Corporation may be the vehicle to 'privatize' the company. Or alternatively, it could be the vehicle for an expanded role including a role in non-uranium sectors of mineral development. It should be noted that the extent of Eldorado's participation in the mineral sector is fairly substantial. Eldorado Nuclear wholly owns Eldorado Resources, formed in 1982 take over the assets of

57. Ibid., p. 67.

Gulf Minerals Canada Ltd. including the Rabbit Lake mine, and Eldor Resources, which holds an interest in the Key Lake mine.

The CNR connection is more indirect but no less important. This is because the CNR's expanded investment in rail infrastructure (along with the CPR's) is prompted by the need to expand the western transportation system to foster a large volume of resource exports and resource spin-off developments in processing and manufacturing. In a similar way one could note the role of other federal Crown enterprises such as the National Harbours Board and the Export Development Corporation.

6. CONCLUSIONS: PROSPECTS FOR PUBLIC ENTERPRISE AND STATE INTERVENTION

In relation to the larger policy context of the early 1980s, there are signals and actions which point to both more and less federal public enterprise involvement in mineral development. To the extent that some megaprojects are viable, there may be increased forms of joint enterprise to share the risks. The federal concerns for visibility suggest that visible federal instruments may be preferred. On the other hand, federal policy statements assert that there will be no more 'NEP-style' interventions, 'at this time.' Meanwhile, the activities of some existing public enterprises suggest ways in which expanded roles are, or could be, under way.

Recent discussion papers on mineral resource policy also raise important issues of intervention and public enterprise. Mineral policy is composed of a bundle of normative policy concerns and instruments. This is obvious from noting the linkages between mineral policy and energy policy, contending economic and regional development ideas, and even concerns about government-industry consultative relations. It is also obvious from the Mineral Policy Discussion Paper examined above. What, then, can be said about the likelihood of further federal public enterprise intervention in the mining sector as revealed by mineral policy statements?

It is noteworthy that the normative basis of the mineral policy document stresses 'opportunity' in terms of an adequate return on investment and emphasizes a philosophy of 'private sector initiative with complementary government action.' The definition of complementary action, however, will likely be contentious, reflecting the various dominant ideas of modern Canadian political life.

There are aggregate limits to federal public enterprise intervention in the mining sector, given Canada's overall ideological makeup, not to mention constitutional restrictions, increasingly bare government coffers, and the need for large infusions of capital investment. Thus, the government has stated that the Canadianization policies for the energy sector contained in the NEP will not be applied in the mineral sector. With the exception of uranium, the government is not considering a Canadianization program for the mining industry.[58]

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58. See Commons Debates, 19 March 1981, p. 8406.

The federal government's current strategy on public ownership in the mineral sector contains three elements:

- to maintain existing levels of Canadian control, particularly in the coal and uranium industries;
- to monitor foreign ownership trends in the sector;
- to use direct government ownership only as a last-resort form of intervention to pursue public policy objectives.

Thus, federal public corporations are very likely to continue to exist, and to be used as instruments of government mineral policy and economic development. We have shown how mineral policy developments are linked to changes taking place in the external environment, and how the Mineral Policy Discussion Paper is indicative of broader policy concerns. Moreover, EMR's mineral policy making has become increasingly related to central economic and policy management systems and agencies in the federal government in recent years.

In addition, one can suggest the possibility of an expanding role for federal public corporations in the mining field because of an increase in governmental efforts to manage mineral resource exploration and development on Canada Lands and/or to provide the necessary infrastructure for major mining projects in remote areas. Moreover, while federal government ownership of the Canadian Development Corporation is expected to decrease, other federal public corporations such as Petro-Canada and CNR could become more directly involved in mineral resource development.[59] Finally, given that the federal government has been motivated by ad hoc considerations rather than a consistent policy in using public enterprise in the past, the government could experience increased public ownership in the mining industry by default if not by design.

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59. See The Financial Post, 25 September 1982, pp. 13-14.

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THE CENTRE FOR RESOURCE STUDIES

The Centre for Resource Studies (CRS) was established in 1973, under the sponsorship of Queen's University, the federal Department of Energy, Mines and Resources, and The Mining Association of Canada, to carry out a program of research and publication on mineral policy issues.

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